

Message Text

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ACTION AF-10

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SUBJECT: IMPROVEMENT IN INVESTMENT CLIMATE

REF: STATE 70463

IN RESPONSE TO FOREIGN AND INTERNAL CRITICISMS, GOL HAS BEGUN TO
MODIFY SOME OF ITS ECONOMIC/COMMERCIAL POLICIES WHICH HAVE
DISCOURAGED INVESTMENT ACTIVITIES. THE FOLLOWING RECENT GOL
ACTIONS WHICH HAVE COME TO THE EMBASSY'S ATTENTION HAVE GRADUALLY
BUT NOTICEABLY IMPROVED THE INVESTMENT CLIMATE:

1. GOL HAS RECENTLY AGREED WITH ITS SWEDISH-AMERICAN
PARTNERS THAT WHEN AND WHERE NECESSARY LAMCO WOULD SHAVE PRICES
TO SELL IRON ORE. PREVIOUSLY, GOL HAS STUBBORNLY INSISTED THAT
LAMCO SHOULD SELL ONLY AT THE HIGHEST PRICE, PRESUMABLY TO
MAXIMIZE GOL'S INCOME FROM IRON ORE. IN THE PAST FEW WEEKS
LAMCO HAS SUCCEEDED IN REDUCING IRON ORE INVENTORY FROM
5.7 MILLION TONS TO 4.4 MILLION TONS.

2. AS STATED REFTEL, GOL HAS DECIDED NOT TO RENEgotiate
CONCESSION AGREEMENT WITH UNIROYAL. AS THE BELLWETHER, FIRESTONE
WENT THROUGH MORE THAN TWO YEARS OF OFTEN VERY HEATED NEGOTI-
ATIONS BEFORE IT SIGNED A NEW AGREEMENT IN 1976. GOL GOT
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ITS WAY IN THESE NEGOTIATIONS, BUT AT THE EXPENSE OF DAMAGING
LIBERIA'S INVESTMENT CLIMATE.

3. LMC (LIBERIA MINING COMPANY) AND GOL SETTLED ASSETS
QUESTION IN FEBRUARY 1978. IF SETTLEMENT IS APPROVED BY
LMC'S BOARD OF DIRECTORS, AMERICAN INVESTORS, APPARENTLY
ASSOCIATED WITH LMC, ARE EXPECTED TO PROCEED TO IMPLEMENT

BIE MOUNTAIN IRON ORE PROJECT USING SOME OF THESE ASSETS.

4. IN FEBRUARY 1978, GOL REPORTEDLY NOTIFIED JAPANESE GROUP INVOLVED IN WOLOGISI PROJECT THAT IT WILL NO LONGER PENALIZE CONCESSION HOLDER LISCO (LIBERIA IRON AND STEEL CORPORATION) \$500,000 FOR EVERY YEAR PROJECT'S COMPLETION IS DELAYED BEYOND 1981. AMAX, WHICH IS ASSOCIATED WITH THE JAPANESE GROUP THROUGH ITS EQUITY HOLDING IN LISCO, HAD REPORTEDLY LOST INTEREST IN THE PROJECT BECAUSE OF THE PENALTY. THE REMOVAL OF THIS PENALTY MAY REKINDLE AMAX'S INTEREST IN WOLOGISI.

5. PRESIDENT TOLBERT'S ESTABLISHMENT OF A SPECIAL ECONOMIC COMMISSION, CHAIRED BY A PROMINENT LIBERIAN BUSINESSMAN, IS TACIT RECOGNITION BY GOL THAT CORRECTIVE ACTION IS NEEDED TO IMPROVE INVESTMENT CLIMATE. COMMISSION IS EXPECTED TO SUBMIT ITS RECOMMENDATIONS TO PRESIDENT TOLBERT SOON. IF THESE RECOMMENDATIONS ARE IMPLEMENTED, THERE SHOULD BE A SUBSTANTIAL IMPROVEMENT IN INVESTMENT CLIMATE.

CARTER

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